

STATE OF NEW MEXICO - TAXATION AND REVENUE DEPARTMENT

**ENHANCED OIL RECOVERY
APPLICATION AND REPORTING INSTRUCTIONS**
(FORM RPD - 41163)

Name of Individual, Firm or Organization		OGRID Number
Contact Person		Telephone Number
Mailing Address		
City	State	Zip Code
Please check one: <input type="checkbox"/> Well Operator <input type="checkbox"/> Working Interest Owner <input type="checkbox"/> Purchaser		
Name of Project		Date Positive Production Response Occurred
Project Operator(s)		

PRODUCTION UNIT NUMBERS FOR QUALIFYING WELLS

Please attach a copy of the Oil Conservation Division's Certificate of Positive Production Response.

DEPARTMENT USE ONLY

CERTIFICATE OF APPROVAL TO USE ENHANCED OIL RECOVERY TAX RATE

We are approving use of the reduced tax rate for the above PUNs based on the information that you have provided. Only production from wells within the project area are qualified to use the reduced rate. Production from wells outside the project area must be reported and paid at the normal rate on a separate line entry. This Department reserves the right to determine compliance with the provisions on the Enhanced Oil Recovery Act.

Approval for use of the reduced rate begins with sales month _____.

Please use Special Tax Rate Code _____ on your Form RPD-41132 as it applies to the specific Production Unit Number(s) listed above.

Approved By

Date

ENHANCED OIL RECOVERY APPLICATION AND REPORTING INSTRUCTIONS

(Sections 7-29A-1 through 7-29A-5 NMSA 1978)

The Enhanced Oil Recovery Act provides for a reduced oil and gas severance tax rate on crude oil that is severed and sold from an enhanced recovery project or the expansion of an existing project. The reduced severance tax rate is one and seven-eighths percent (1.875%) of the taxable value determined under Section 7-29-4.1 NMSA 1978, provided that the annual average price of west Texas intermediate crude oil, determined by the department by averaging the posted prices in effect on the last day of each month of the twelve-month period ending on May 31 prior to the fiscal year in which the tax rate is to be imposed, was less than twenty-eight dollars (\$28.00) per barrel. In order to qualify for the reduced tax rate, the project or expansion must be approved by the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (OCD) prior to beginning operation of the project. Only those projects that were approved after the effective date of this act are eligible for the reduced rate. The reduced tax rate applies to the crude oil produced from a project beginning the first day of the month after OCD certifies that a positive production response has occurred. Application for certification of positive production response must be filed within five years from the date of approval of a secondary recovery project and within seven years from the date of approval of a tertiary recovery project. If active operation of the project is terminated, the operator must notify both OCD and TRD within thirty days. The project must be in compliance with rules and regulations adopted by OCD concerning enhanced oil recovery projects.

1. Who may use the reduced severance tax rate: The tax filer who is responsible for paying the production taxes on oil, and on other liquid hydrocarbons removed at or near the wellhead, produced from the area certified to be affected by the enhanced recovery project or expansion.

2. Who must file the application: Any tax filer that is applying the reduced severance tax rate. If the special tax rate code for enhanced oil recovery is used without receiving prior approval, the tax filer may be assessed the additional severance tax at the regular rate.

3. How and where to file the application: Complete this form and send it, along with a copy of OCD's Certification of a Positive Production Response, to the Taxation and Revenue Department, P. O. Box 2308, Santa Fe, NM 87504-2308. A separate application must be filed for each qualifying enhanced oil recovery project.

4. When to apply for the enhanced oil recovery special tax rate: When OCD certifies that a positive production response has occurred. After validating the production unit numbers and wells on your application, the Department will mail a certification of approval to use the enhanced oil recovery tax rate and will provide the special tax rate code to be used when reporting. Please do not use the reduced rate before you receive approval.

5. How to report the reduced tax rate: Enter the applicable code in the special tax rate code column and calculate the tax due amount using the reduced tax rate (the appropriate school, conservation, ad valorem production tax rates plus the reduced severance tax rate times net taxable value). Complete the other columns per Form RPD-41135, Oil & Gas Taxes Detail Report Instructions. The recovered oil tax rate is effective beginning the first day of the month following the date that OCD certifies that a positive production response has occurred and may be applied only to the crude oil produced from wells within the project area. If you are remitting taxes on a production unit number that has some wells that qualify and some wells that do not qualify, you must report two separate line entries; one line with the special tax rate code, one line without.

6. Claim for refund: If the reduced severance tax rate was not applied when reporting production taxes for an eligible well after the effective date, the taxpayer may file a claim for refund by submitting amended returns in accordance with Section 7-1-26 NMSA 1978.

Mail or deliver the completed form to:

New Mexico Taxation and Revenue Department
Oil and Gas Bureau
1200 South St. Francis Drive
P. O. Box 2308
Santa Fe, NM 87504-2308
Telephone: (505) 827-0805